

Memorandum

To: Chairman and Commissioners

Date: August 13, 2001

From: Robert I. Remen

File No: F 9
BOOK ITEM 4.1
ACTION

Ref: STATE LEGISLATION

The Governor signed the State Budget, **Senate Bill (SB) 739 (Chapter 106, Statutes of 2001)**, on July 26, 2001. As a result of the delay in passing the budget bill, the Legislature will not reconvene from it's Summer Recess until August 20, 2001. The Legislature is scheduled to begin it's Interim Recess on September 14, 2001 and the Governor will have until October 14, 2001 to sign or veto bills passed at the end of the Legislative Session.

Three Budget trailer bills dealing with transportation, Assembly Bill (AB) 434, AB 438, and Assembly Constitutional Amendment (ACA) 4, were passed and approved by the Governor to implement agreements related to the approval of the budget. Another trailer bill, AB 437, is on the Assembly Floor for concurrence in amendments made by the Senate. These measures are summarized below.

AB 434 (Keeley) - State Route 1 : Hatton Canyon (CHAPTER 136, Statutes of 2001)

This bill includes within the California freeway and expressway system, among other route segments, Route 1 from the north limits of Carmel (rather than through Carmel) to the west city limits of Santa Cruz.

This bill makes the following legislative findings and declarations relating to the sale of property within Hatton Canyon near the City of Carmel-by-the-Sea in Monterey County.

(1) The Hatton Canyon is a scenic and environmentally sensitive area, comprised of undeveloped land that includes one of the few genetically pure Monterey Pine forests left in the world, significant coastal habitat and recreation areas, as well as diverse wildlife.

(2) With the Department of Transportation's determination that a freeway bypass in the Hatton Canyon is not currently viable, the property located in Hatton Canyon is surplus state property located within the coastal zone, as defined in Section 30103 of the Public Resources Code, as that zone was described on January 1, 1977, and subject to Section 9 of Article XIX of the California Constitution. It is, therefore, fitting and proper, and in furtherance of the public interest, that the Department of Transportation sell its ownership interest in the Hatton Canyon for the purpose of creating or adding to a state park.

(b) The appropriation of \$2.5 million in Item 3760-302-0005 of Section 2.00 of the Budget Act of 2000 and the appropriation of \$250,000 in Item 3760-101-0001 of Section 2.00 of the Budget Act of 2001 is for the purchase of the property owned by the Department of Transportation in the Hatton Canyon.

(c) It is the intent of the Legislature that:

(1) The sale of the property in the Hatton Canyon by the Department of Transportation for conversion to a state park not adversely impact any mitigation credits that the Department of Transportation may be entitled to by making this property transfer.

(2) A nonmotorized trail be established that runs through the Hatton Canyon property.

(d) The route adoption, dated January 9, 1956, for the realignment of Route 1 in Hatton Canyon near the City of Carmel-by-the-Sea is hereby rescinded. Accordingly, the Legislature finds and declares that the freeway agreement, dated April 8, 1997, related to that realignment is a nullity.

(e) The existing Hatton Canyon right-of-way for the realignment of Route 1 from Carmel Valley Road to the Pacific Grove Interchange of Route 1 and 68, as part of Route 1 since before 1977, and owned by the Department of Transportation, is located within the coastal zone. This subdivision does not constitute a change in, but is declaratory of, existing law.

(f) The Department of Transportation shall declare the Hatton Canyon right-of-way property surplus state property.

**AB 438 (Assembly Budget Committee) - Traffic Congestion Relief Program (TCRP)
Refinancing Plan (CHAPTER 113, Statutes of 2001)**

(1) Existing law continuously appropriates to the Treasurer the amounts identified in the Budget Act as having been deposited in the State Highway Account in the State Transportation Fund from federal transportation funds and pledged by the California Transportation Commission, for the purposes of issuing federal highway grant anticipation notes (GARVEE Bonds) to fund transportation projects selected by the commission. Projects eligible for this special funding are limited to transportation projects that have been designated for accelerated construction by the commission.

This bill provides that the category of projects eligible for GARVEE financing includes

(a) toll bridge seismic retrofit projects;

(b) projects approved for funding under the Traffic Congestion Relief Act of 2000; and

(c) projects programmed under the current adopted State Transportation Improvement Program or the current State Highway Operation and Protection Program.

(2) Existing law establishes the Traffic Congestion Relief Fund (TCRF) in the State Treasury and appropriates the money in the TCRF (a) to the Department of Transportation for allocation, as directed by the California Transportation Commission, to the department and certain regional and local transportation entities for TCRP projects, (b) to the Controller for allocation to cities and counties for street and road maintenance, rehabilitation, and reconstruction, (c) to the commission for the purposes of a funding exchange program, and (d) to the department for rehabilitation and repaving projects on state highways.

Existing law requires the Controller to transfer revenues from the state sales tax on motor vehicle fuels on a quarterly basis from the General Fund to the Transportation Investment Fund (TIF) in the State Treasury. The Controller, for each quarter during the period commencing on

July 1, 2001, and ending on June 30, 2006, is required to transfer or apportion specified amounts from the TIF to the TCRF, to the Public Transportation Account, to the Department of Transportation, to the counties, and to the cities for specified transportation purposes.

This bill :

- (a) delays the transfers from the General Fund to the TIF by requiring the transfers to commence on July 1, 2003, and end on June 30, 2008.
- (b) reduces the total amount to be transferred from the TIF to the TCRF by \$76.1 million.
- (c) for the 2006-07 and 2007-08 fiscal years, requires the transfer from the TIF to the Department of Transportation for transportation capital improvement projects to be 80% of the amount remaining after the transfer to the TCRF for the listed transportation projects and, for that same period, would delete the transfer from the TIF to the cities and counties.
- (d) for each of the 2001-02 and 2002-03 fiscal years, appropriates from the State Highway Account in the State Transportation Fund to the Controller 40% of the amount obtained by subtracting \$169.5 million from the state sales tax on motor vehicle fuels revenues, and requires the Controller to apportion the appropriated funds to cities, and counties in accordance with provisions in existing law relating to allocation of TIF funds.
- (e) until July 1, 2008, authorizes the Department of Transportation to transfer funds as short-term loans among the State Highway Account, the TIF, the Public Transportation Account, and the TCRF, subject to those terms and conditions that the Director of Finance may impose upon those transfers.
 - (1) The department shall submit quarterly and annual reports to the Joint Legislative Budget Committee, and to the fiscal and policy committees of the Legislature that consider transportation issues, on all loans and transfers authorized pursuant to Sections 14556.7 and 14556.8 for the most recent reporting period. The reports shall summarize amounts loaned and repaid during the reporting period and any outstanding balances at the end of the reporting period. The annual report required under this section shall be delivered to the Legislature by March 1 of each year and shall include information on and a discussion of the impact of all loans and transfers on project expenditures for each affected program. Additionally, the annual report shall include the amount of loans outstanding as of the end of the reporting period and any actual or projected impacts of those loan balances on funds projected to be used for projects in the latest State Transportation Improvement Program fund estimate.
 - (2) When loan balances authorized in this subdivision are outstanding, the Director of Transportation shall report the amounts of loans outstanding with respect to each fund or account as of the last business day of each quarter to the Commission. The Commission shall monitor the cash-flow loan program authorized in this section and shall provide guidance to the department to ensure that sufficient resources will be available for all projects and all other authorized expenditures from each fund or account so as to not delay any authorized expenditure.
- (f) authorize the Director of Finance to authorize, by executive order and to the extent necessary to provide adequate cash to fund projected expenditures for the TCRP projects, the

transfer of not more than \$100 million as an interest free loan, from the Motor Vehicle Account in the State Transportation Fund to the TCRF, and the transfer of any available funds, as an interest free loan, from the General Fund to the TCRF. Loans from the Motor Vehicle Account are authorized only beginning July 1, 2004, and would be required to be repaid by July 1, 2007.

(g) also provides for loans of a maximum cumulative amount of \$280 million to the TCRF from the Public Transportation Account and \$180 million from the State Highway Account for these purposes through the annual Budget Act, to be repaid by June 30, 2008, and June 30, 2007, respectively. The Department of Transportation, upon the request of the Commission or the Director of Finance, shall provide a report projecting the cash needs of the listed projects.

(h) authorizes money in the TCRF derived from the General Fund and not currently needed for expenditures on the listed projects to be transferred to the General Fund through the annual Budget Act, and requires the Director of Finance, upon making a determination that funds in the TCRF are not adequate to support expected cash expenditures for the listed projects, to require, by executive order, that the funds transferred to the General Fund under this provision be repaid to the TCRF. These loans to the General Fund would be required to be repaid no later than June 30, 2006.

ACA 4 (Dutra) - Dedication of State Sales Tax Revenues on Motor Vehicle Fuels to Transportation Purposes (RESOLUTION CHAPTER 87)

This measure, upon approval of the voters, would, for the 2003-04 fiscal year and each fiscal year thereafter, require all moneys that are collected during the fiscal year under the Sales and Use Tax Law, with respect to the sale or use of motor vehicle fuel to be transferred to the Transportation Investment Fund (TIF). Specifically, the measure provides that :

(1) For the 2003-04 to 2007-08 fiscal years, inclusive, moneys in the TIF shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on the operative date of this article.

(2) For the 2008-09 fiscal year and each fiscal year thereafter, moneys in the TIF shall be allocated solely for the following purposes:

(a) Public transit and mass transportation.

(b) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program (STIP), or any successor to that program.

(c) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.

(d) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.

(3) For the 2008-09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, as follows:

(a) Twenty percent of the moneys for Public transit and mass transportation purposes.

- (b) Forty percent of the moneys for transportation capital improvement projects, subject to the laws governing the STIP, or any successor to that program.
 - (c) Twenty percent of the moneys for street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities.
 - (d) Twenty percent of the moneys for street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties.
- (4) The transfer of revenues from the General Fund of the State to the TIF may be suspended, in whole or in part, for a fiscal year if both of the following conditions are met:
- (a) The Governor has issued a proclamation that declares that the transfer of revenues will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State.
 - (b) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, a suspension for that fiscal year of the transfer of revenues, provided that the bill does not contain any other unrelated provision.
- (5) The Legislature may enact a statute that modifies the percentage shares set forth above by a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that the bill does not contain any other unrelated provision and that the moneys described above are expended solely for the purposes specified above.

AB 437 (Assembly Budget Committee) - Rural Transit System Grant Program

STATUS: On Assembly Floor for Concurrence in amendments made by the Senate.

This bill, until July 1, 2002, would require the Department of Transportation and the California Transportation Commission to establish a Rural Transit System Grant Program to purchase, construct, and rehabilitate transit facilities, vehicles, and equipment, including energy efficiency retrofits, and to purchase rights-of-way for transit systems. The bill would require the department to submit a report describing the projects funded under the program to the Legislature on or before June 30, 2002.

The adopted State Budget provides \$18 million of Public Transportation Account funds in FY 2001-2002 for this program.

A detailed discussion of the Commissions roles and responsibilities in this program is presented in Agenda Item 4.10. Staff will provide an update on the status of this bill will at the August Commission meeting.